reach a final decision as to revival or, in the alternative, closure. Proceedings before BIFR have also been stayed by the Calcutta High Court in respect of five cases.

Stripping of air hostesses by customs officials at Calicut

7323. SHRI GHUFRAN AZAM: Will the Minister of FINANCE be pleased to state:

(a) whether the Customs Officials at Calicut Airport had recently stripped five air hostesses;

(b) if so, whether several trade unions have urged Government to probe the incident;

(c) if so, the details thereof:

(d) whether any action has been initiated by Government against the Customs officials posted there;

(e) if so, the details thereof; and

(f) the steps Government propose to take to avoid recurrence of such incidents?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) No, Sir.

(b) and (c) INTUC, CITU, AITUC, BMS and HMS have urged a high level probe into the alleged incident of stripping and stringent action against the officials involved.

(d) and (e) The Principal Collector of Customs and Central Excise, Madras has conducted an inquiry into the said incident. His findings, based on his discussion/enquiry with some of the persons who were present at the time of incident, indicate that the press reports and allegations of 'stripping' and harassment by customs officials are not true. The air hostesses were subject to a routing frisking by the customs officials in the normal course of discharge of their functions.

(f) In view of answer to (d) and (e) above, no specific steps need to be taken.

Private sector participation in banking and insurance

7324. SHRI SANJAY DALMIA: Will the Minister of FINANCE be pleased to state: what are the norms prescribed by Government for private sector participation in banking and insurance sectors?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): Reserve Bank of India have laid down guidelines for entry of the private sector into banking industry, which inter-alia provide that minimum paid-up capital for a new bank should be Rs. 100 crores.

A copy of the RBI's guidelines is attached as Statement (*See* below)

The Government have not laid down any norms for private sector participation in the insurance industry.

Statement

Guidelines on entry of new private sector banks

(a) Such a bank shall be registered as a public limited company under the Companies Act, 1956.

(b) The RBI may, on merits grant a licence under the Banking Regulation Act, 1949 for such a bank. The bank may also be included in the Second Schedule of the Reserve Bank of India Act, 1934 at the appropriate time. The decision of the RBI in these matters shall be final.

(c) The bank will be governed by the provisions of the Banking Regulation Act, 1949 in regard to its authorised, subscribed and paid-up capital. The minimum paid-up capital for such a bank shall be Rs. 100 crores. The promoters' contribution for such a bank shall be determined by the RBI and will also be subject to other applicable regulations.

(d) The shares of the bank should be listed on stock exchanges.

(e) To avoid concentration of the headquarters of new banks in metropolitan cities and other overbanked areas, while granting a licence preference may be given to those the headquarters of which are proposed to be located in a centre which does not have the htadquarters of any other bank.

(f) Voting rights of an individual shareholder shall be governed by the ceiling of 10 per cent of the total voting rights as stipulated by Section 12(3) of the Banking Regulation Act. However, exemption from this ceiling may be granted under Section 53 of the said Act, to public financial institutions.

(g) The new bank shall not be allowed to have as a director any person who is a director of any other banking company, or of companies which among themselves are entitled to exercise voting rights in excess of twenty percent of the total voting rights of all the shareholders of the banking company, as laid down in the Banking Regulation Act, 1949.

(h) The bank will be governed by the provisions of the Reserve Bank of India Act, 1934, the Banking Regulation Act, 1949 and other relevant statutes, in regard to its management set up liquidity requirements and the scope of its activities. The directives, instructions, guidelines and advices given by the RBI, shall be applicable to such a bank as in the case of other banks. It would be ensured that a new bank would concentrate on core banking activities initially.

(i) Such a bank shall be subject to prudential norms in respect of banking operations accounting policies and other policies as are laid down by RBI. The bank will have to achieve capital adequacy of 8 per cent of the risk weighted assets from the very beginning. Similarly, norms for income recognition, asset classification, and provisioning will also be applicable to it from the beginning. So will be the single borrower and group borrowers exposure limits that will be in force from time to time.

(j) The bank shall have to observe priority sector lending targets as applicable to other domestic banks. However, in recognition of the fact that new entrants may require some time to lend to all categories of the priority sector, some modification in the composition of the priority sector lending may be considered by the RBI for an initial period of three years.

(k) Such a bank will also have to comply with such directions of the RBI as are applicable to existing banks in the matter of all export credit. As a facilitation of this it may be issued an authorised dealers licence to deal in foreign exchange, when applied for.

(l) A new bank shall not be allowed to set up a subsidiary or mutual fund for at least three years after its establishment The holding of such a bank in the equity of other companies shall be governed by the existing provisions applicable to other banks viz.:—

(i) 30 per cent of the bank's or the invitee company's capital funds, whichever is less ,as set out under the Banking Regulation Act, 1949; and

(ii) 1.5 per cent of the bank's incremental deposits during a year as per RBI guidelines.

Tht aggregate of such investments in the subsidiardies and Mutual Fund (if and when set up) and portfolio investments in other companies shall not exceed 20 percent of the Bank's own paid-up capital and reserves.

(m) In regard to branch opening, it shall be governed by the existing policy that banks are free to open branches at various centres including urban|metropolitan centres without the prior approval of the RBI once they satisfy the capital adequacy and prudential accounting norms However, to avoid over-concentration of their branches in metropolitan areas and

cities, a new bank will be required to **open rural nad semi-urban branches also** as may be laid down by RBI.

(n) Such a bank shall have to lay down its loan policy within the overall policy guidelines of RBI. While, doing so, it shall specifically provide prudential norms covering related party transactions.

(o) Such a bank shall make full use of modern infrastructural facilities in office equipments, computer, telecommunications etc. in order to provide good customer service. The bank should have a **high powered customer grievances cell to** handle customer complaints.

(p) Such other conditions as RBI may prescribe from time to time.

Losses of overseas branches of Indian Banks

7525. SHRI RAJUBHAI A. PARMAR: Will the Minister of FINANCE be pleased to state:

(a) whether a number of branches of Indian banks have been set up abroad:

(b) if so, the total number and details of foreign branches of Indian banks and how many and which of them are incurring losses, indicating the accumulated losses so far suffered by each; and

(c) what are the reasons for the losses and what steps have been taken and are being taken to revive to these bank branches?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY:. (a) and (b) Reserve Bank of India has reported that 103 overseas branches of Indian Banks were functioning as on 1st January, 1994, Details are given in the statement (*See* below) Reserve Bank of India has further reported that 24 overseas branches had accumulated losses of **US dollar 342 933 millions as n 31-3-93.**

(c) Some of the main reasons for accumulated losses of foreign branches of Indian Banks are given as under:—

(i) Sovereign debt incurred through non-re payment of loans given to certain countries.

(ii) Foreign currency loans given to project exporters as a part of projects in Iraq and Libya;

(iii) Higher provisions by banks on real estate loans due to fall in prices in UK & USA.

RBI has reported that concerned banks have fully provided for those accumulated losses as well as for problem credits as per requirements of regulatory authorities. In order to improve performance of their overseas branches the Nationalised Banks have been taking appropriate steps such as improved assets management, reduction of non-performing loans and economising operational expenditure.